

ORIGINAL



0000093684

MEMORANDUM

TO: Docket Control

FROM: Ernest G. Johnson  
Director  
Utilities Division

EA for EGJ

DATE: February 12, 2009

RE: IN THE MATTER OF THE APPLICATION OF TIME WARNER CABLE INFORMATION SERVICES (ARIZONA), LLC DBA TIME WARNER CABLE FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE RESOLD LONG DISTANCE TELECOMMUNICATIONS SERVICES, RESOLD LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES, FACILITIES-BASED LONG DISTANCE TELECOMMUNICATIONS SERVICES, FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES, ALTERNATIVE OPERATOR SERVICES TELECOMMUNICATIONS SERVICES (DOCKET NO. T-20449A-08-0044)

Attached is the Staff Report for the above referenced application. The Applicant is applying for approval to provide the following services:

- Resold Long Distance Services
- Facilities Based Long Distance Services
- Resold Local Exchange Services
- Facilities Based Local Exchange Services

Staff is recommending approval of the application.

EGJ:AFF:red

Originator: Armando Fimbres

Attachment: Original and Thirteen Copies

Arizona Corporation Commission

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SERVICE LIST FOR: TIME WARNER CABLE INFORMATION SERVICES (ARIZONA),  
LLC DBA TIME WARNER CABLE  
DOCKET NO. T-20449A-08-0044

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STAFF REPORT  
UTILITIES DIVISION  
ARIZONA CORPORATION COMMISSION

TIME WARNER CABLE INFORMATION SERVICES (ARIZONA), LLC  
DBA TIME WARNER CABLE  
DOCKET NO. T-20449A-08-0044

IN THE MATTER OF THE APPLICATION OF TIME WARNER CABLE INFORMATION SERVICES (ARIZONA), LLC DBA TIME WARNER CABLE FOR APPROVAL OF A CERTIFICATE OF CONVENIENCE AND NECESSITY TO PROVIDE RESOLD LONG DISTANCE TELECOMMUNICATIONS SERVICES, RESOLD LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES, FACILITIES-BASED LONG DISTANCE TELECOMMUNICATIONS SERVICES, FACILITIES-BASED LOCAL EXCHANGE TELECOMMUNICATIONS SERVICES, ALTERNATIVE OPERATOR SERVICES TELECOMMUNICATIONS SERVICES.

FEBRUARY 12, 2009

## TABLE OF CONTENTS

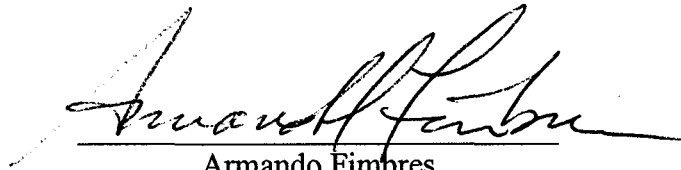
	PAGE
1. INTRODUCTION.....	1
2. TECHNICAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES.....	1
3. FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES .....	2
4. ESTABLISHING RATES AND CHARGES.....	3
5. LOCAL EXCHANGE CARRIER SPECIFIC ISSUES .....	3
5.1 Number Portability .....	3
5.2 Provision of Basic Telephone Service and Universal Service.....	4
5.3 Quality of Service.....	4
5.4 Access to Alternative Local Exchange Service Providers .....	4
5.5 911 Service.....	4
5.6 Custom Local Area Signaling Services .....	5
6. REVIEW OF COMPLAINT INFORMATION.....	5
7. COMPETITIVE SERVICES ANALYSIS .....	5
7.1 Competitive Services Analysis for Local Exchange Services .....	5
7.2 Competitive Services Analysis for Interexchange Services .....	7
8. RECOMMENDATIONS.....	8
8.1 Recommendations on the Application For a CC&N.....	8
8.2 Recommendation on the Applicant's Petition to Have Its Proposed Services Classified as Competitive .	10

## ATTACHMENTS

Profile of Time Warner Cable.....	Attachment 1
Time Warner's Balance Sheet and Income Statement.....	Attachment 2

## STAFF ACKNOWLEDGMENT

The Staff Report for Time Warner Cable Information Services (Arizona), LLC dba Time Warner Cable, Docket No. T-20449A-08-0044, was the responsibility of the Staff member listed below. Armando Fimbres was responsible for the review and analysis of the application for a Certificate of Convenience and Necessity to provide resold long distance, facilities-based long distance, resold local exchange; facilities-based local exchange; and alternative operator services and petition for a determination that its proposed services should be classified as competitive.

A handwritten signature in black ink, appearing to read "Armando Fimbres", is written over a horizontal line.

Armando Fimbres  
Public Utility Analyst V

## **1. INTRODUCTION**

On January 23, 2008, Time Warner Cable Information Services (Arizona), LLC dba Time Warner Cable ("TWCIS" or "Applicant" or "Company") filed an application for a Certificate of Convenience and Necessity ("CC&N") to provide resold long distance, facilities-based long distance, resold local exchange, facilities-based local exchange and alternative operator telecommunications services on a statewide basis in the State of Arizona. The Applicant petitioned the Arizona Corporation Commission ("Commission") for a determination that its proposed services should be classified as competitive. TWCIS is currently authorized to provide intrastate, facilities-based, non-switched, dedicated point-to-point data transport telecommunications services in Yuma County in the State of Arizona pursuant to Decision No. 68824 dated June 29, 2006.

On February 23, 2008, TWCIS explained via email that the request for alternative operator services authority was inadvertent and requested that its application be revised accordingly. On July 9, 2008, TWCIS responded to Staff's First Data Request issued March 18, 2008.

On October 17, 2008, TWCIS and Staff met to discuss issues related to the applicant's CC&N application. While TWCIS seeks the authority to provide resold long distance, facilities-based long distance, resold local exchange and facilities-based local exchange, Staff understands that TWCIS intends to provide only non-switched local and interexchange access services that may require interconnection with ILECs and CLECs.

Staff's review of this application addresses the overall fitness of the Applicant to receive a CC&N. Staff's analysis also considers whether the Applicant's services should be classified as competitive and if the Applicant's initial rates are just and reasonable.

## **2. TECHNICAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES**

As stated above, TWCIS is currently authorized to provide intrastate, facilities-based, non-switched, dedicated point-to-point data transport telecommunications services in Yuma County in the State of Arizona.

TWCIS is not authorized, nor has it applied, to provide telecommunications services in any other state, however, TWCIS affiliates have applications for certification pending in Colorado and New Jersey.

TWCIS is a wholly-owned subsidiary of Time Warner Cable, Inc, a public company traded on the New York Stock Exchange under the symbol TWC. Time Warner Cable, Inc. provides video, data, and voice service to residential and commercial customers in the United States. As of December 31, 2007, Time Warner Cable served approximately 14.6 million customers primarily in New York state, the Carolinas, Ohio, southern California, and Texas.

The Company is based in New York, New York. Time Warner Cable, Inc. is a subsidiary of Time Warner, Inc.<sup>1</sup>

Based on the information submitted by the Applicant and corresponding research, Staff believes that TWCIS possesses the technical capabilities to provide the services it is requesting the authority to provide.

### **3. FINANCIAL CAPABILITY TO PROVIDE THE REQUESTED SERVICES**

TWCIS was formed and began operations on February 27, 2006. It will rely on the financial capability of its parent to fund its operations within the State of Arizona. As a wholly-owned subsidiary of Time Warner Cable, Inc., TWCIS will have access to capital resources as well as banking relationships that will permit it to provide the services it has requested the authority to provide in this Application. Time Warner Cable, Inc. will be providing working capital, as needed, to TWCIS.

TWCIS provided audited financial information for Time Warner Cable, Inc. with its application. Staff subsequently confirmed the 2006 information and obtained 2007 financial information Time Warner Cable, Inc.<sup>2</sup> For the period ending December 31, 2007, Time Cable, Inc. lists total assets of \$56.6B and net income of \$1.1B.

The Applicant lists conditions under which advance payments may be required for services in its proposed Tariff No. 1, Section 2.9. Staff believes that advances, deposits, and/or prepayments received from the Applicant's customers should be protected by the procurement of either a performance bond or an Irrevocable Sight Draft Letter of Credit ("ISDLC"). The Applicant should be granted the discretion to procure either the performance bond or the ISDLC. Since the Applicant is requesting a CC&N for more than one kind of service, the amount of a performance bond or the ISDLC for multiple services is an aggregate of the minimum bond or the ISDLC amount for each type of telecommunications service requested by the Applicant. The amount of the performance bond or the ISDLC coverage needed for each service is as follows: resold long distance \$10,000, resold local exchange \$25,000; facilities-based long distance \$100,000; and facilities-based local exchange \$100,000. The performance bond or the ISDLC coverage needs to increase in increments equal to 50 percent of the total minimum performance bond or the ISDLC amount when the total amount of the advances, deposits, and prepayments is within 10 percent of the total minimum performance bond or the ISDLC amount. Further, measures should be taken to ensure that the Applicant will not discontinue service to its customers without first complying with Arizona Administrative Code ("A.A.C.") R14-2-1107.

To that end, Staff recommends that the Applicant procure a performance bond or the ISDLC equal to \$235,000. The minimum performance bond or the ISDLC amount of \$235,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's customers. The performance bond or the ISDLC

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<sup>1</sup> <http://finance.yahoo.com/q/pr?s=TWC>; (see Attachment 1)

<sup>2</sup> <http://finance.yahoo.com/q/bs?s=TWC&annual>; (see Attachment 2)

amount should be increased in increments of \$117,500. This increase should occur when the total amount of the advances, deposits, and prepayments is within \$23,500 of the performance bond or the ISDLC amount. If the Applicant desires to discontinue service, it must file an application with the Commission pursuant to A.A.C. R14-2-1107. Additionally, the Applicant must notify each of its customers and the Commission 60 days prior to filing an application to discontinue service. Failure to meet this requirement should result in forfeiture of the Applicant's performance bond or the ISDLC. Staff further recommends that the original performance bond or the ISDLC be sent directly to the Commission Business Office and that 13 copies be provided to Docket Control, simultaneously, within 30 days of the effective date of an Order in this matter and must remain in effect until further order of the Commission.

#### **4. ESTABLISHING RATES AND CHARGES**

The Applicant would initially be providing service in areas where an incumbent local exchange carrier ("ILEC"), along with various competitive local exchange carriers ("CLECs") and interexchange carriers are providing telephone service. Therefore, the Applicant would have to compete with those providers in order to obtain subscribers to its services. The Applicant would be a new entrant and would face competition from both an incumbent provider and other competitive providers in offering service to its potential customers. Therefore, the Applicant would generally not be able to exert market power. Thus, the competitive process should result in rates that are just and reasonable.

Both an actual rate and a maximum rate may be listed for each competitive service offered. The rate charged for a service may not be less than the Company's total service long-run incremental cost of providing the service pursuant to A.A.C. R14-2-1109.

The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from the Company indicating that its net book value or fair value rate base at the end of its first 12 months of operation would be \$315,000. TWCIS submitted Tariff No. 1 with its application. A revised Tariff No. 1 was submitted on July 9, 2008. Staff has reviewed these rates and believes they are comparable to the rates charged by competitive local carriers, local incumbent carriers and major long distance carriers operating in the State of Arizona. The rate to be ultimately charged by the Company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the company, the fair value rate base information provided should not be given substantial weight in this analysis.

#### **5. LOCAL EXCHANGE CARRIER SPECIFIC ISSUES**

Issues related to the provision of that Local Exchange service are discussed below.

##### *5.1 Number Portability*

The Commission has adopted rules to address number portability in a competitive telecommunications services market. Local exchange competition may not be vigorous if



customers, especially business customers, must change their telephone numbers to take advantage of a competitive local exchange carrier's service offerings. Consistent with federal laws, federal rules and A.A.C. R14-2-1308(A), the Applicant shall make number portability available to facilitate the ability of a customer to switch between authorized local carriers within a given wire center without changing their telephone number and without impairment to quality, functionality, reliability or convenience of use.

### *5.2 Provision of Basic Telephone Service and Universal Service*

The Commission has adopted rules to address universal telephone service in Arizona. A.A.C. R14-2-1204(A) indicates that all telecommunications service providers that interconnect into the public switched network shall provide funding for the Arizona Universal Service Fund ("AUSF"). The Applicant will make the necessary monthly payments required by A.A.C. R14-2-1204(B).

### *5.3 Quality of Service*

Staff believes that the Applicant should be ordered to abide by the quality of service standards that were approved by the Commission for Qwest (f/k/a USWC) in Docket No. T-01051B-93-0183 (Decision No. 59421). Because the penalties developed in that docket were initiated because Qwest's level of service was not satisfactory and the Applicant does not have a similar history of service quality problems, Staff does not recommend that those penalties apply to the Applicant. In the competitive market that the Applicant wishes to enter, the Applicant generally will have no market power and will be forced to provide a satisfactory level of service or risk losing its customers. Therefore, Staff believes that it is unnecessary to subject the Applicant to those penalties at this time.

### *5.4 Access to Alternative Local Exchange Service Providers*

Staff expects that there will be new entrant providers of local exchange service who will install the plant necessary to provide telephone service to, for example, a residential subdivision or an industrial park much like existing local exchange companies do today. There may be areas where the Applicant installs the only local exchange service facilities. In the interest of providing competitive alternatives to the Applicant's local exchange service customers, Staff recommends that the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve such areas. This way, an alternative local exchange service provider may serve a customer if the customer so desires. Access to other providers should be provided pursuant to the provisions of the 1996 Telecommunications Act, the rules promulgated there under and Commission rules on interconnection and unbundling.

### *5.5 911 Service*

The Commission has adopted rules to address 911 and E911 services in a competitive telecommunications services market. The Applicant has certified that in accordance with A.A.C. R14-2-1201(6)(d) and Federal Communications Commission 47 CFR Sections 64.3001 and

64.3002, it will provide all customers with 911 and E911 service, where available, or will coordinate with ILECs and emergency service providers to provide 911 and E911 service.

#### *5.6 Custom Local Area Signaling Services*

Consistent with past Commission decisions, the Applicant may offer Caller ID provided that per call and line blocking, with the capability to toggle between blocking and unblocking the transmission of the telephone number, are provided as options to which customers could subscribe with no charge. Also, Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated, indicating that the number has been blocked, must be offered.

### **6. REVIEW OF COMPLAINT INFORMATION**

The Applicant has neither had an application for service denied, nor had its authority to provide service revoked in any state. There are, and have been, no formal complaint proceedings involving the Applicant. There have not been any civil or criminal proceedings against the Applicant. Consumer Services reports no complaint history within Arizona.

The Applicant indicated that none of its officers, directors or partners have been involved in any civil or criminal investigations, or any formal or informal complaints. The Applicant also indicated that none of its officers, directors or partners have been convicted of any criminal acts in the past ten (10) years.

### **7. COMPETITIVE SERVICES ANALYSIS**

The Applicant has petitioned the Commission for a determination that the services it is seeking to provide should be classified as competitive.

#### *7.1 Competitive Services Analysis for Local Exchange Services*

##### **7.1.1 A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.**

The local exchange market that the Applicant seeks to enter is one in which a number of CLECs have been authorized to provide local exchange service. Nevertheless, ILECs hold a virtual monopoly in the local exchange service market. At locations where ILECs provide local exchange service, the Applicant will be entering the market as an alternative provider of local exchange service and, as such, the Applicant will have to compete with those companies in order to obtain customers. In areas where ILECs do not serve customers, the Applicant may have to convince developers to allow it to provide service to their developments.

**7.1.2 The number of alternative providers of the service.**

Qwest and various independent LECs are the primary providers of local exchange service in the State. Several CLECs and local exchange resellers are also providing local exchange service.

**7.1.3 The estimated market share held by each alternative provider of the service.**

Since Qwest and the independent LECs are the primary providers of local exchange service in the State, they have a large share of the market. Since the CLECs and local exchange resellers have only recently been authorized to offer service they have limited market share.

**7.1.4 The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.**

None in Arizona.

**7.1.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.**

ILECs have the ability to offer the same services that the Applicant has requested in their respective service territories. Similarly many of the CLECs and local exchange resellers also offer substantially similar services.

**7.1.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).**

The local exchange service market is:

- a. One in which ILECs own networks that reach nearly every residence and business in their service territories and which provide them with a virtual monopoly over local exchange service. New entrants are also beginning to enter this market.
- b. One in which new entrants will be dependent upon ILECs:
  1. To terminate traffic to customers.
  2. To provide essential local exchange service elements until the entrant's own network has been built.
  3. For interconnection.

- c. One in which ILECs have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market and one in which new entrants do not have a long history with any customers.
- d. One in which most customers have few, if any choices since there is generally only one provider of local exchange service in each service territory.
- e. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

## *7.2 Competitive Services Analysis for Interexchange Services*

### **7.2.1 A description of the general economic conditions that exist, which makes the relevant market for the service one that, is competitive.**

The interexchange market that the Applicant seeks to enter is one in which numerous facilities-based and resold interexchange carriers have been authorized to provide service throughout the State. The Applicant will be a new entrant in this market and, as such, will have to compete with those companies in order to obtain customers.

### **7.2.2 The number of alternative providers of the service.**

There are a large number of facilities-based and resold interexchange carriers providing both interLATA and intraLATA interexchange service throughout the State. In addition, various ILECs provide intraLATA interexchange service in many areas of the State.

### **7.2.3 The estimated market share held by each alternative provider of the service.**

The large facilities-based interexchange carriers (AT&T, Sprint, MCI, etc.) hold a majority of the interLATA interexchange market, and the ILECs provide a large portion of the intraLATA interexchange market. Numerous other interexchange carriers have a smaller part of the market and one in which new entrants do not have a long history with any customers.

### **7.2.4 The names and addresses of any alternative providers of the service that are also affiliates of the telecommunications Applicant, as defined in A.A.C. R14-2-801.**

None.

**7.2.5 The ability of alternative providers to make functionally equivalent or substitute services readily available at competitive rates, terms and conditions.**

Both facilities-based and resold interexchange carriers have the ability to offer the same services that the Applicant has requested in their respective service territories. Similarly many of the ILECs offer similar intraLATA toll services.

**7.2.6 Other indicators of market power, which may include growth and shifts in market share, ease of entry and exit, and any affiliation between and among alternative providers of the service(s).**

The interexchange service market is:

- a. One with numerous competitors and limited barriers to entry.
- b. One in which established interexchange carriers have had an existing relationship with their customers that the new entrants will have to overcome if they want to compete in the market.
- c. One in which the Applicant will not have the capability to adversely affect prices or restrict output to the detriment of telephone service subscribers.

## **8. RECOMMENDATIONS**

The following sections contain the Staff recommendations on the application for a CC&N and the Applicant's petition for a Commission determination that its proposed services should be classified as competitive.

### ***8.1 Recommendations on the Application For a CC&N***

Staff recommends that Applicant's application for a CC&N to provide intrastate telecommunications services, as listed in this Report, be granted. In addition, Staff further recommends:

1. That the Applicant complies with all Commission Rules, Orders and other requirements relevant to the provision of intrastate telecommunications services;
2. That the Applicant abides by the quality of service standards that were approved by the Commission for Qwest in Docket No. T-01051B-93-0183;
3. That the Applicant be prohibited from barring access to alternative local exchange service providers who wish to serve areas where the Applicant is the only provider of local exchange service facilities;

4. That the Applicant be required to notify the Commission immediately upon changes to the Applicant's name, address or telephone number, and that such notification be placed in all relevant dockets involving the Applicant, and finally that Applicant make conforming changes to its tariffs on files with the Commission;
5. That the Applicant cooperate with Commission investigations including, but not limited to customer complaints;
6. The rates proposed by this filing are for competitive services. In general, rates for competitive services are not set according to rate of return regulation. Staff obtained information from TWCIS indicating that its net book value or fair value rate base at the end of 12 months of operation would be \$315,000. Staff has reviewed the rates to be charged by the Applicant and believes they are just and reasonable as they are comparable to other wholesale transport providers offering service in Arizona and comparable to the rates the Applicant charges in other jurisdictions. The rate to be ultimately charged by the Company will be heavily influenced by the market. Therefore, while Staff considered the fair value rate base information submitted by the Company, the fair value information provided was not given substantial weight in this analysis;
7. That the Applicant offer Caller ID with the capability to toggle between blocking and unblocking the transmission of the telephone number at no charge;
8. That the Applicant offer Last Call Return service that will not return calls to telephone numbers that have the privacy indicator activated;
9. Staff further recommends that the Commission authorize the Applicant to discount its rates and service charges to the marginal cost of providing the services;

Staff further recommends that the Applicant be ordered to comply with the following. If it does not do so, the Applicant's CC&N shall be null and void, after Applicant is afforded an opportunity for a hearing or other due process of law.

1. The Applicant shall docket a conforming tariff for each service within its CC&N within 365 days from the date of an Order in this matter or 30 days prior to providing service, whichever comes first.
2. The Applicant shall:
  - a. Procure a performance bond or an irrevocable sight draft Letter of Credit equal to \$235,000. The minimum bond or draft amount of \$235,000 should be increased if at any time it would be insufficient to cover advances, deposits, and/or prepayments collected from the Applicant's

customers. The bond or draft amount should be increased in increments of \$117,500. This increase should occur when the total amount of the advances, deposits, and prepayments is within \$23,500 of the bond amount or IDLOC amount; and

- b. File the original performance bond or irrevocable sight draft Letter of Credit with the Commission's Business Office and copies of the performance bond or irrevocable sight draft Letter of Credit with Docket Control, as a compliance item in this docket, within 30 days of the effective date of a decision in this matter. The original performance bond or irrevocable sight draft Letter of Credit must remain in effect until further order of the Commission. The Commission may draw on the performance bond or irrevocable sight draft Letter of Credit, on behalf of, and for the sole benefit of the Company's customers, if the Commission finds, in its discretion, that the Company is default of its obligations arising from its Certificate. The Commission may use the performance bond or irrevocable sight draft Letter of Credit funds, as appropriate, to protect the Company's customers and the public interest and take any and all actions the Commission deems necessary, in its discretion, including, but not limited to returning prepayments or deposits collected from the Company's customers; and

3. The Applicant shall abide by the Commission adopted rules that address Universal Service in Arizona. A.A.C. R14-2-1204(A) indicates that all telecommunications service providers that interconnect into the public switched network shall provide funding for the Arizona Universal Fund. The Applicant will make the necessary monthly payments required by A.A.C. R14-2-1204 (B).

#### *8.2 Recommendation on the Applicant's Petition to Have Its Proposed Services Classified as Competitive*

Staff believes that the Applicant's proposed services should be classified as competitive. There are alternatives to the Applicant's services. The Applicant will have to convince customers to purchase its services, and the Applicant has no ability to adversely affect the local exchange or interexchange service markets. Therefore, the Applicant currently has no market power in the local exchange or interexchange service markets where alternative providers of telecommunications services exist. Staff therefore recommends that the Applicant's proposed services be classified as competitive.

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New York, NY 10019

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Phone: 212-364-8200

Web Site: <http://www.timewarnercable.com>**DETAILS**

Index Membership: N/A

Sector: [Services](#)Industry: [CATV Systems](#)

Full Time Employees: 44,000

**BUSINESS SUMMARY**

Time Warner Cable, Inc. provides video, data, and voice service to residential and commercial customers in the United States. The company offers video service through analog transmissions; a combination of digital and analog transmissions; or in systems, as well as video service via digital transmissions. It provides on-demand services, enhanced television services, set-top boxes equipped with digital video recorders, and high-definition television programming. The company also offers video programming; data services, including Internet access, Web site hosting, and managed security; and Business Class Phone, a business-grade phone service geared to small- and medium-sized businesses, as well as commercial networking and transport services. As of December 31, 2007, it served approximately 14.6 million customers primarily in New York state, the Carolinas, Ohio, southern California, and Texas. The company is based in New York, New York. Time Warner Cable, Inc. is a subsidiary of Time Warner, Inc.

**Key Statistics****COMPANY WEBSITES**

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[TwoMen.com/Phoenix](http://TwoMen.com/Phoenix)**CORPORATE GOVERNANCE**

Time Warner Cable Inc.'s [Corporate Governance Quotient \(CGQ®\)](#) as of 1-Jan-09 is better than **30.4%** of Russell 3000 companies and **48.4%** of Media companies.

Brought to you by [Institutional Shareholder Services](#).

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	Pay	Exercised
<b>Mr. Robert D. Marcus</b> , 44 Chief Financial Officer, Sr. Exec. VP, Head of Bus. Strategy Devel. and Treasurer	\$ 1.95M	\$ 0
<b>Mr. Landel Hobbs</b> , 47 Chief Operating Officer	\$ 3.65M	\$ 924.00K
<b>Mr. Wayne H. Pace</b> , 62 Director, Member of Nominating & Governance Committee, Chief Financial Officer of Time Warner and Exec. VP of Time Warner	\$ 0	N/A
<b>Mr. Carl U. J. Rossetti</b> , 60 Exec. VP Of Corp. Devel.	\$ 1.48M	\$ 43.00K
<b>Mr. Jeffrey L. Bewkes</b> , 56 Chairman, Chief Exec. Officer and Pres	N/A	N/A



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All numbers in thousands

**PERIOD ENDING****31-Dec-07****31-Dec-06****Assets****Current Assets**

Cash And Cash Equivalents	232,000	51,000
Short Term Investments	-	-
Net Receivables	836,000	730,000
Inventory	-	-
Other Current Assets	95,000	129,000

**Total Current Assets****1,163,000****910,000**

## Long Term Investments

735,000

2,072,000

## Property Plant and Equipment

12,873,000

11,601,000

## Goodwill

2,117,000

2,059,000

## Intangible Assets

39,644,000

38,927,000

## Accumulated Amortization

-

-

## Other Assets

68,000

174,000

## Deferred Long Term Asset Charges

-

-

**Total Assets****56,600,000****55,743,000****Liabilities****Current Liabilities**

Accounts Payable	1,130,000	2,318,000
Short/Current Long Term Debt	-	-
Other Current Liabilities	1,406,000	172,000

**Total Current Liabilities****2,536,000****2,490,000**

## Long Term Debt

13,613,000

14,565,000

## Other Liabilities

430,000

298,000

## Deferred Long Term Liability Charges

13,291,000

12,902,000

## Minority Interest

1,724,000

1,624,000

## Negative Goodwill

-

-

**Total Liabilities****31,594,000****32,179,000****Stockholders' Equity**

Misc Stocks Options Warrants	-	300,000
Redeemable Preferred Stock	300,000	-
Preferred Stock	-	-
Common Stock	10,000	10,000
Retained Earnings	5,459,000	4,370,000
Treasury Stock	-	-
Capital Surplus	19,411,000	19,314,000

Other Stockholder Equity	(174,000)	(130,000)
<b>Total Stockholder Equity</b>	<b>24,706,000</b>	<b>23,564,000</b>
<b>Net Tangible Assets</b>	<b>(\$17,055,000)</b>	<b>(\$17,422,000)</b>

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All numbers in thousands

PERIOD ENDING	31-Dec-07	31-Dec-06
<b>Total Revenue</b>	<b>15,955,000</b>	<b>11,767,000</b>
Cost of Revenue	7,542,000	5,356,000
<b>Gross Profit</b>	<b>8,413,000</b>	<b>6,411,000</b>
Operating Expenses		
Research Development	-	-
Selling General and Administrative	2,648,000	2,126,000
Non Recurring	23,000	56,000
Others	2,976,000	2,050,000
Total Operating Expenses	-	-
<b>Operating Income or Loss</b>	<b>2,766,000</b>	<b>2,179,000</b>
Income from Continuing Operations		
Total Other Income/Expenses Net	158,000	46,000
Earnings Before Interest And Taxes	2,770,000	2,246,000
Interest Expense	907,000	690,000
Income Before Tax	1,863,000	1,556,000
Income Tax Expense	740,000	620,000
Minority Interest	(165,000)	(108,000)
Net Income From Continuing Ops	1,123,000	936,000
Non-recurring Events		
Discontinued Operations	-	1,038,000
Extraordinary Items	-	-
Effect Of Accounting Changes	-	2,000
Other Items	-	-
<b>Net Income</b>	<b>1,123,000</b>	<b>1,976,000</b>
Preferred Stock And Other Adjustments	-	-
<b>Net Income Applicable To Common Shares</b>	<b>\$1,123,000</b>	<b>\$1,976,000</b>

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